

## Message Text

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ORIGIN DLOS-09

INFO OCT-01 EUR-12 IO-13 ISO-00 ACDA-12 AGRE-00 AID-05  
CEA-01 CEQ-01 CG-00 CIAE-00 COME-00 DODE-00  
DOTE-00 EB-08 EPA-01 SOE-02 DOE-15 FMC-01 TRSE-00  
H-01 INR-10 INT-05 JUSE-00 L-03 NSAE-00 NSC-05  
NSF-01 OES-07 OMB-01 PA-01 PM-05 SP-02 SS-15  
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APPROVED BY S/AR:ELRICHARDSON  
EUR/NE:RFUNSETH (SUBS)  
S/AR:GHALDRICH  
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FM SECSTATE WASHDC  
TO AMEMBASSY OSLO PRIORITY  
INFO USMISSION USUN NEW YORK

C O N F I D E N T I A L STATE 147165

E.O. 11652: XGDS

TAGS: PLOS

SUBJECT: LOS: EVENSEN PROPOSAL ON REVENUE SHARING

1. NORWEGIAN LOS MINISTER EVENSEN MADE A PROPOSAL AT RE-  
CENTLY RECESSED LOS SESSION IN GENEVA THAT IN OUR VIEW IS  
TOTALLY UNREALISTIC, SINCE IT IMPOSES FINANCIAL BURDENS ON  
SEABED MINERS SO SEVERE AS TO PRECLUDE POSITIVE INVESTMENT  
DECISIONS. IT IS NOT CLEAR TO US WHAT MOTIVATED EVENSEN'S  
MAGNANIMITY, SINCE NORWAY WOULD BE NEITHER A DONOR NOR BENE-  
FACTOR, UNLESS IT WAS NOTHING MORE THAN A PAINLESS WAY OF  
REMINDING DEVELOPING COUNTRIES THAT HE AND NORWAY ARE THEIR  
FRIENDS. IN ANY EVENT, HIS PROPOSAL AND A LESS GENEROUS ONE  
FROM THE SOVIETS SERVED TO DISTRACT ATTENTION FROM AND MAKE  
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PALTRY BY COMPARISON A US PROPOSAL THAT ITSELF WOULD PROVIDE  
AMPLE REVENUES FOR THE DEVELOPING WORLD WHILE ALLOWING MIN-  
ING TO PROCEED ON AN ECONOMIC BASIS.

2. FOLLOWING EXTRACT FROM GENEVA 7324 OF MAY 12 PROVIDES  
SOME DETAIL ON EVENSEN PROPOSAL:

--"THE NG-2 KOH EXPERTS GROUP ON FINANCIAL ARRANGEMENTS MET ALL DAY MAY 9. NORWAY (EVENSEN) PROPOSED TWO PLANS FOR FINANCIAL ARRANGEMENTS BETWEEN CONTRACTORS AND THE AUTHORITY. PLAN A PROVIDED FOR A 500,000 DOLLAR APPLICATION FEE, A ONE MILLION DOLLAR ANNUAL FIXED FEE, A PRODUCTION CHARGE ON FINISHED METALS OF 8 PERCENT FOR THE FIRST FIVE YEARS AND 16 PERCENT FOR THE REMAINDER OF THE CONTRACT. PLAN B PROVIDED THE SAME APPLICATION AND FIXED FEE, A 3 PERCENT ROYALTY ON FINISHED METALS FOR THE FIRST FIVE YEARS, 5 PERCENT ROYALTY FOR THE REMAINDER OF THE CONTRACT, SHARING OF 25 PERCENT OF THE TOTAL PROFIT FOR THE FIRST FIVE YEARS AND 40 PERCENT OF TOTAL PROFIT FOR THE REMAINDER OF THE CONTRACT. THE INCOME BASE FROM SEABED MINING WOULD BE DEFINED AS 50 PERCENT OF THE TOTAL INCOME FROM THE PROJECT. THE NORWEGIAN PROPOSAL IS NOT REALISTIC BUT IS CAUSING SEVERE PROBLEMS FOR THE US BECAUSE IT OFFERS THE PROSPECT OF A ONE BILLION DOLLAR FIGURE (FOR THE AUTHORITY OVER THE LIFE OF A CONTRACT) WHEREAS THE REVISED US PLAN PROVIDES "ONLY" 300 MILLION DOLLARS FOR THE AUTHORITY DURING THE SAME PERIOD. FURTHERMORE, THE SOVIETS HAD INDICATED TO THE G-77 A WILLINGNESS TO ACCEPT A ROYALTY OF 12-1/2 PERCENT ON THE VALUE OF FINISHED METALS, A PROPOSAL WHICH WOULD PRODUCE 700 MILLION DOLLARS FOR THE AUTHORITY. THE US HAS STOOD FIRM ON ITS PROPOSAL AND HAS INDICATED THAT IT IS IN A DIFFERENT POSITION FROM THE SOVIETS AND THE NORWEGIANS, NEITHER OF WHICH IS LIKELY TO BECOME A FIRST-GENERATION MINER. THE US  
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ALSO SAID THAT REVENUE SHARING CAN ONLY BE BASED ON THE ACTUAL VALUE ADDED FROM THE MINING SECTOR; AND THAT THE NORTH SEA OIL EXAMPLE FROM WHICH THE NORWEGIAN PROPOSAL IS DRAWN IS NOT APPROPRIATE TO MANGANESE NODULES AND TO THE MUCH MORE RISKY BUSINESS OF SEABED MINING."

3. REQUEST EMBASSY SEEK TO LEARN GENESIS OF EVENSEN'S ACTION THROUGH DISCREET INQUIRIES TO AMBASSADOR VINDENES. WE WOULD ALSO APPRECIATE LATEST INTELLIGENCE ON EVENSEN'S FUTURE IN LOS IN VIEW OF HIS REPORTED DEMOTION (OSLO 2445).

4. UNLESS EMBASSY DETERMINES DEFINITELY THAT EVENSEN PROPOSAL WILL NOT BE PURSUED BY NORWEGIAN DELEGATION AT FUTURE LOS SESSIONS, WE BELIEVE IT WOULD BE USEFUL TO DISCUSS THE MATTER FURTHER WITH HIM OR VINDENES PRIOR TO AUGUST 21 RESUMPTION OF SEVENTH SESSION IN NEW YORK. D/LOS DIRECTOR ALAN BERLIND AND DEPUTY DIRECTOR RONALD KATZ, WHO WORKED EXTENSIVELY ON FINANCIAL ARRANGEMENTS AT GENEVA, WILL BE IN EUROPE THE WEEK OF JUNE 26 AND WOULD BE FREE TO VISIT OSLO JUNE 28-29. REQUEST EMBASSY SEEK VINDENES' REACTION TO PROPOSED VISIT FOR INFORMAL CONSULTATIONS ON FINANCIAL ARRANGEMENTS.

5. IN VIEW TIME PROBLEMS, WOULD APPRECIATE RESPONSE ASAP.  
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## Message Attributes

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